

RECEIVED

SEP 24 6 02 PM '01

POSTAL RATE COMMISSION  
OFFICE OF THE SECRETARY

**DOCKET NO. R2001-1  
USPS-LR-J-72**

**SUPPORT MATERIAL RELATING TO INCREMENTAL COST  
MODEL (USPS-T-21)**

## **PREFACE**

This library reference contains electronic copies of the incremental cost model and supporting material used in the calculation of incremental cost. It provides the same function as USPS-LR-I-150 filed in Docket No. R2000-1. This is a Category 2 library reference relating to USPS-T-21.

## **SUPPORTING MATERIAL RELATING TO INCREMENTAL COST MODEL (USPS-T-21)**

This library reference contains the electronic version of the incremental cost model (USPS-T-21). Two separate versions of the model are provided. The first version calculates incremental cost for subclasses and classes of mail. Printouts of this model are provided in the workpapers to USPS-T-21. The second version calculates incremental cost for 10 selected pairs of subclasses. The library reference also contains an electronic version of Attachment A for USPS-T-21, as well as electronic versions of Tables 1-6 and Appendix A from the workpapers to USPS-T-21. These Excel spreadsheets are called ATTACHMENTA.xls and WPTABLES.xls, respectively. Hardcopies of these spreadsheets are not provided in this library reference, since they are already supplied in USPS-T-21 testimony and workpapers.

This library reference also contains an Excel spreadsheet that documents information used in the calculation of incremental cost. PRDSPC.xls documents the source for selected product specific costs that are used in the calculation of BY2000 incremental cost. The data from this table is brought into the incremental cost model in workbook ICForms.xls, which is provided in this library reference.

### **1. Program Listing**

Printouts of the following Excel spreadsheets:  
PRDSPC.xls

### **2. CDROM Containing:**

Incremental Cost Model for Subclasses and Classes  
Incremental Cost Model for Subclass Pairs  
Attachment A to USPS-T-21, in ATTACHMENTA.xls  
Tables 1-6 to workpapers of USPS-T-21, in WPTABLES.xls  
PRDSPC.xls

The incremental cost model for subclasses and classes contains the following Excel workbooks. The first 12 workbooks calculate incremental cost for BY2000. The next two workbooks calculate incremental cost for TY2003(BR) and TY2003(AR), respectively. The last workbook contains the input data used in the model. This version of the model is found in directory 'IC' on the CDROM.

1. IC3-1.xls - Mail Processing
2. IC3-2.xls - Window Service
3. IC07.xls - City Carriers Street and MVS Special Purpose Routes
4. IC08.xls - Vehicle Service Drivers
5. IC09.xls - Special Delivery Messengers
6. IC14.xls - Purchased Transportation
7. Space.xls - Space-Related Components
8. Equip.xls - Mail Processing Equipment Components
9. ConsElas.xls - Miscellaneous Components
10. Pigback.xls – Dependent Components Volume Variable Cost
11. ICDependent.xls - Dependent Components Incremental Cost
12. ICSummary.xls - Incremental Cost for Remaining Components and Incremental Cost Summary
13. TYBRIC.xls – Calculation of Incremental Cost for TY2003(BR)
14. TYARIC.xls – Calculation of Incremental Cost for TY2003(AR)
15. ICForms.xls – Input data for model

The incremental cost model for subclass pairs contains the following Excel workbooks. The first 12 workbooks calculate incremental cost for BY2000. The next two workbooks calculate incremental cost for TY2003(BR) and TY2003(AR), respectively. The last workbook contains the input data used in the model. This version of the model is found in directory 'IC-TSC' on the CDROM. ICForms.xls is not in this directory, as the subclass version of the model uses the same ICForms.xls as the preceding version.

1. IC3-1.xls - Mail Processing
2. IC3-2.xls - Window Service
3. IC07.xls - City Carriers Street and MVS Special Purpose Routes
4. IC08.xls - Vehicle Service Drivers
5. IC09.xls - Special Delivery Messengers
6. IC14.xls - Purchased Transportation

7. Space.xls - Space-Related Components
8. Equip.xls - Mail Processing Equipment Components
9. ConsElas.xls - Miscellaneous Components
10. Pigback.xls – Dependent Components Volume Variable Cost
11. ICDependent.xls - Dependent Components Incremental Cost
12. ICSummary.xls - Incremental Cost for Remaining Components and Incremental Cost Summary
13. TYBRIC.xls – Calculation of Incremental Cost for TY2003(BR)
14. TYARIC.xls – Calculation of Incremental Cost for TY2003(AR)

Both versions of the model are ready for printing. Open each Excel workbook in the order listed. Selected all of the tabs at the bottom of the workbook, and then print the workbook. ICForms.xls does not need to be printed.

**PRINTOUT OF PRDSPC.XLS**

Product-Specific Cost Inputs for FY 2000 Incremental Cost (\$)													
C/S	Comp.	Source	First-class	Priority	Express	Std.	Prcl Post	Int'l	MO's	PO Boxes	Spec. Svcs. Other	Totals	
13	117	USPS-LR-J-8						144,544				144,544	13
15	168	USPS-LR-J-8		103,053				521,659				624,712	
	234	USPS-LR-J-8		375,030				1,349,741				1,724,771	15
16	174	USPS-LR-J-8						7,600,466				7,600,466	
	187	USPS-LR-J-8		7,087,311								7,087,311	
	197	USPS-LR-J-8						5,538,430				5,538,430	
	246	1/	27,268	41,621,199	5,704,907	6,781,398	126,088	14,458,961	5,276,273	288,916	13,523,124	87,808,134	16
18	191	USPS-LR-J-8		5,962,802				14,275,150				20,237,952	
	192	USPS-LR-J-8						780,274	1,380,485			2,160,759	
	210	USPS-LR-J-8		1,477,083				12,279,977				13,757,060	
	210	2/	17,571,770	9,244,128									
	211	USPS-LR-J-8						1,577,466				1,577,466	
	211	3/	1,347,963	1,222,109								2,570,072	18
20	233	USPS-LR-J-8		79,905				2,129,481				2,209,386	20
Product-Specific Cost Inputs for TY 2003 Incremental Cost (\$)													
C/S	Comp.	Source	First-class	Priority	Express	Std.	Prcl Post	Int'l	MO's	PO Boxes	Spec. Svcs. Other	Totals	
	e-Return Receipt	USPS-LR-J-64									530	530	
1. Advertising costs from Advertising personnel in Marketing. See next page for more detail 2. EXFC and PETE costs from account 52323. 3. EXFC and PETE costs provided by Customer Satisfaction Measurement personnel in Consumer Affairs													

# **FY 2000 ADVERTISING COST BY PRODUCT**

Product	Total	CRA Product
Admail	\$ 6,781,398	Standard
ATMs	\$ 9,847,669	
Blockbuster Stamps	\$ 1,493,232	
Call Centers (ASK)	\$ 214,996	
Card Acceptance	\$ 23,403	
Commemoratives (COM)	\$ 7,619,721	Special Service Other
CPU's	\$ 180,790	
Delivery Confirmation	\$ 6,764,782	
Dinero Seguro	\$ 2,000,580	
Diversity (EOE)	\$ 4,169	
Domestic Money Orders	\$ 5,276,273	Money Orders
Efectivo Postal	\$ 2,830,661	
Electronic Merchandise Return	\$ 6,758,343	Special Service Other
Express Mail	\$ 5,704,907	Express Mail
Extended Hours	\$ 1,844,560	First-Class
First-Class Mail (FCM)	\$ 27,268	
FirstClass Phone Card	\$ 12,305	
Grand Opening	\$ 16,694	International
Image	\$ 14,263,606	
International	\$ 14,458,961	
Online Services	\$ 17,638,289	Post Office Boxes
P.O. Boxes	\$ 288,916	
Packaging Supplies	\$ 1,215,259	Parcel Post
Parcel Select	\$ 126,088	
PC Postage	\$ 138,711	Priority Mail
Postmark America	\$ 23,434	
Priority Mail (PRM)	\$ 41,621,199	
Remodel	\$ 150,000	
Retail Merchandise	\$ 610,023	
Stamps By Mail	\$ 57,214	
Stamps By Phone	\$ 10,000	
Stamps to Go/Consignment	\$ 469,982	
Vending	\$ 79,059	
<b>FY 2000 TOTAL</b>	<b>\$ 148,552,492</b>	